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Roundup

WR 32-86

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The Foreign Agricultural Service of the U.S. Department of Agriculture today reported the following developments in world agriculture and trade.

GRAIN AND FEED

Export Enhancement Programs Announced for EGYPT and SAUDI ARABIA. A new Export Enhancement Program (EEP) initiative for 30,000 tons of semolina was announced for Egypt. An additional 600,000 tons of wheat flour to Egypt and 250,000 tons of additional barley to Saudi Arabia are eligible for export under previously established EEPs.

Export Enhancement Bids accepted for EGYPT. During the week of August 4-8, the Commodity Credit Corporation (CCC) accepted offers for 277,000 tons of soft red winter wheat to Egypt under an EEP. The wheat sold for \$87.00 per ton cost and freight (c&f).

OILSEEDS AND PRODUCTS

U.S. Exports of Oilseeds and Products Up Strongly. U.S. exports of oilseeds and products reached 1.4 million tons in June 1986, 30 percent higher than a year ago. Value of oilseed exports for June was \$335.4 million, up 10 percent from last year. U.S. exports of soybeans, soybean meal and peanuts were all at higher levels for June compared to year-ago levels. Exports of soybeans for the 1985/86 fiscal year to date total \$3.7 billion, the highest value for a single commodity.

MALAYSIA Changes Palm Oil Export Duties. Malaysia cut its export duty on crude palm oil for August, but raised the duty on processed palm oil. This follows reports of Malaysia establishing joint ventures to process and refine palm oil in consumer countries (See WR 30-86). Exports of 350,000 tons of palm oil in June lowered Malaysia's palm oil stocks to 634,000 tons, the lowest level since October 1985, according to the U.S. agricultural attache in Kuala Lumpur. After 4 months of stagnant production, output is expected to reach 420,000 tons a month in August. Good export performance may ward off a build up in stocks, but the crude palm oil price should remain low. USDA estimates that Malaysia will export 4 million tons of palm oil in 1985/86.

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ORIGINAL

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CHINA Promotes Soybean Production. Heilongjiang, China's northernmost province, is pioneering a nation-wide effort to tap the country's full potential for soybean exports. Last year, the province exported 952,000 tons of soybeans, almost 85 percent of China's total. Soybeans originated in China, and the promotion is part of China's effort to increase its role as a soybean producer and exporter. USDA estimates that China will produce 11.5 million tons of soybeans in 1985/86 and export 900,000 tons.

Dry Weather Damages FRENCH Oilseeds Crop. According to the U.S. agricultural counselor in Paris, France's rapeseed and sunflowerseed crops have been damaged by prolonged dry weather. Dry weather last fall limited the area planted to rapeseed. This year's rapeseed area is estimated at 389,000 hectares, down 16 percent from 1985. Dry weather reoccurred in May and persisted into early August. With harvest in full swing, rapeseed yields are expected to average about 2.5 tons per hectare, down from 3.0 tons last year. Production is estimated at 972,000 tons, down from 1.4 million tons in 1985.

Sunflowerseed area for 1986 is estimated at 841,000 hectares, up 42 percent from 1985. Sunflowerseed area was expected to increase in 1986, but it is now apparent that farmers have increased area to offset lower rapeseed area. The dry weather is also affecting sunflowerseed yields. August is an important month in determining sunflowerseed yields; therefore, it is too early to accurately estimate final yields. The average yield is tentatively estimated at 2.0 tons per hectare, down 15 percent from last year. Production is estimated at 1.7 million tons, up from 1.4 million in 1985.

DAIRY, LIVESTOCK AND POULTRY

CANADA Imposes Duty on Manufacturing Beef from the EC. Although the Canadian Import Tribunal found that imports of boneless manufacturing beef originating or exported from the European Community had not hurt Canadian beef production, the Tribunal did rule that the EC boneless manufacturing beef is likely to injure future Canadian production. The Tribunal is examining the injury question in Canada's countervailing duty (CVD) investigation into boneless manufacturing beef imports from the EC.

The ruling makes permanent the CVD on boneless manufacturing beef from Ireland of 81 Canadian cents per pound and Denmark of 9 Canadian cents per pound that have been subject to a provisional CVD since March 26. The duties collected during the provisional period will be reimbursed. They are expected to be minor since the countervailing duties effectively curtailed imports during the entire provisional period.

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TAIWAN'S Pork Production Peaks. Pork production for 1985 was reported at record levels by the American Institute in Taiwan. In 1985 pork production was up 14 percent to 831,000 tons, causing prices to fall about 10 percent. The drop in hog prices slowed herd growth to slightly less than 2 percent during 1985, compared to a 12-percent growth in 1984. Projections for 1986 indicate pork production will be down only slightly to 824,000 tons. The continued high production level is due to a 12-percent drop in feed prices and a rebound in market prices since January. July prices were about 40 percent above year-ago levels, due mainly to increased export demand for pork and farmers temporarily holding back hogs from market. For 1987, pork production is projected to fall slightly to 808,000 tons as hog prices moderate.

CHINESE Pork Production Growth Slows. Chinese pork production growth is slowing, according to the U.S. agricultural counselor in Beijing. High feed prices, weak demand for the fatty pork which accounts for 90 percent of production, and transportation problems are expected to slow herd growth to 4 percent in 1986 compared to 8 percent during 1985. For 1987, herd growth is expected to be minimal. Pork production, which rose 14 percent during 1985, is expected to be up 3 percent in 1986 and about 4 percent in 1987.

CANADIAN Broiler Production Expands. Canadian broiler production is expected to total 490,000 tons, an increase of 4 percent in 1986, according to the U.S. agricultural counselor in Ottawa. Stimulus for the production increase is from lower feed prices and rising demand from the fast food industry which continues to expand. The preliminary forecast for 1987 suggests another year with growth of about 4 percent.

WEST GERMANY'S Broiler Production Stagnates. Broiler production in West Germany during 1986 is forecast to total 215,000 tons, the same as in 1985, according to the U.S. agricultural counselor in Bonn. June 1986 broiler prices were down somewhat from those of 1985, however feed prices declined even more. As a result, the meat/feed price ratio improved slightly. Despite a small improvement in profitability, production is not expected to expand in 1986 because producers are voluntarily following industry guidelines on the desired level of production.

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COTTON AND FIBERS

ZAIRE and BANGLADESH To Buy U.S. Cotton Under P.L. 480. Under the P.L. 480 program, Zaire intends to buy about 37,000 bales of cotton for \$7 million. Offers were received August 7 and purchases concluded August 7 for September shipment. Qualities requested include: Strict Middling, Middling Plus, Middling with 1-5/32", 1-1/8", 1-3/32", 1-1/16" staples and Strict Low Middling 1-1/16". Also under P.L. 480, Bangladesh has tendered for about 65,000 bales of cotton for \$10 million. Offers will be received August 12 and purchases concluded August 13 for September shipment. Qualities asked for are Strict Low Middling 1-1/16", Strict Low Middling 1-1/8" and Middling 1-1/4".

TOBACCO

Major JAPANESE Tobacco Firm to Reorganize. Japan Tobacco Inc. (JTI) has confirmed that starting on April 1, 1988, it will begin a three-year reorganization program that includes closing two of its 34 cigarette factories. The two plants slated for closing, the Hatano and Gifu plants, have a combined output of 16 billion cigarettes a year. (In 1985, JTI produced a total of 303 billion cigarettes.) This reorganization is a result of the privatization of the Japanese tobacco monopoly in April 1985, which has slowly led to increased market shares for imported cigarettes. Pressure from imports is forcing JTI to produce better quality cigarettes and to economize in its operations by closing inefficient plants. Japan is the largest consumer of U.S. leaf exports, accounting for about 20 percent of the total U.S. export volume. Despite the uncertainty caused by the reorganization, JTI's continuing need for quality imported leaf should allow the United States to maintain its favorable position as the leading supplier.

FRUITS AND VEGETABLES

Storms Damage SPAIN'S Fruit and Vegetable Crops. Storms with heavy precipitation and hail passed through the Spanish provinces of Castellon, Valencia, Alicante and Murcia July 25-28. Although the storm brought much needed moisture, crop damage from hail and flooding was severe, according to a report from the U.S. agricultural counselor in Madrid.

In Murcia, the Segura river overflowed, resulting in substantial losses of peaches, plums, grapes and commercial vegetables (mainly tomatoes and lettuce); damage to citrus crops was apparently minimal.

Most of the damage in Valencia Province occurred in the Safor District, where approximately 30 percent of the clausellina tangerines and navelina oranges were lost to hail. Hail in the interior valley of Albaida heavily damaged peaches, melons, table grapes and plums. Citrus groves in this region were not affected.

In the southern part of Alicante, the run-off from the Segura river took a heavy toll on commercial vegetables. Although many deciduous fruit crops, table grapes and vegetables were lost to hail, damages to citrus and almonds are reportedly minimal.

While a complete assessment of the damages will not be available until September, unofficial estimates place losses at approximately U.S. \$55 million, of which 50-60 percent reportedly occurred in Murcia.

SUGAR

Sugar Production in INDONESIA Revised Downward. The production of centrifugal sugar (raw basis) for the 1986/87 Indonesian crop is forecast at 1.8 million metric tons, 4 percent more than a year ago but less than earlier forecast, according to the U.S. agricultural counselor in Jakarta. An increase in sugarcane production (raw material) is forecast for this year, but little improvement in sucrose yields is expected. Based on recently released data indicating a lower sucrose content, sugar production for 1984/85 and 1985/86 was revised.

The following table contains the revised estimates for centrifugal sugar production (raw basis) along with the previous numbers in 1,000 metric tons:

Crop Year	Estimates/Forecasts	
	Previous	Current
1984/85	1,777	1,709
1985/86	1,760	1,725
1986/87	1,860	1,800

WOOD AND WOOD PRODUCTS

SOUTH KOREA Presents a Good Market for U.S. Wood Products. Korea's forest products industry has been struggling toward revitalization since World War II and the Korean War drastically depleted its timber supplies. Successful reforestation has expanded the total resource base to approximately 177 million cubic meters. Annual growing stocks are estimated at 7 million cubic meters; 1-1.2 million cubic meters are harvested each year. It is unlikely that Korea will ever become a major world producer of roundwood given poor climatic conditions, unsuitable soils, inappropriate species and slow growth rates. Roundwood production is expected to remain relatively static for the next several years. The Korean office of forestry projects that production levels will not hit the 2-million-cubic-meter mark before the mid-1990's.

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Korea is primarily a plywood producer. Production volumes have steadily declined, the 1985 volume was approximately one-third the 6.5 billion square foot level reached in 1978, due to intense competition in export markets from other southeast Asian suppliers, sluggish demand from the domestic construction industry and high prices for imported logs.

Korea's production of wood and wood products is as follows in 1,000 cubic meters:

	1984	1985	1986 <u>1/</u>
Roundwood	1,118	1,188	1,179
Softwood lumber	2,908	2,812	2,750
Hardboard	9	8	9
Particleboard	111	108	110
Plywood <u>2/</u>	2,860	2,568	2,350

1/ Preliminary

2/ Million square feet

Korea is a net importer of wood products; domestic supplies are not sufficient to meet lumber and veneer requirements. Imports in 1985 were valued at about U.S. \$614 million, of which U.S. \$514 million were logs and U.S. \$110 million were processed products (lumber, veneer, particleboard, hardboard). Approximately 58 percent of log imports are hardwood from southeast Asia, primarily Malaysia. The United States is the major supplier of softwood logs, although Chile and New Zealand also compete in this trade. The United States currently supplies more than 60 percent of Korea's softwood log imports. There are indications that less expensive softwood is replacing hardwood for some end uses, such as furniture manufacture.

Imports of medium density fiberboard (MDF) are gradually displacing particleboard imports, a reflection of end-user preference and a slightly more favorable tariff level. The United States currently supplies most of Korea's demand for MDF; imports in 1985 were more than double the 1984 volume. However, local production of MDF is planned for 1987.

Plywood has historically been the major product exported from South Korea. Shipments in 1985 were valued at less than U.S. \$100 million, considerably below recent years' levels, due to reduced demand from Middle Eastern countries where the Korean construction industry has been very active. Softwood lumber shipments declined approximately 23 percent in 1985.

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CREDIT NOTES

P.L. 480 Agreement with SIERRA LEONE Amended. On August 4, the P.L. 480 Title I agreement with Sierra Leone was amended to allow for the sale of additional U.S. rice. The amendment will provide approximately 20,000 tons of rice valued at \$4.0 million. The overall value of Sierra Leone's fiscal 1986 agreement was increased from \$4.0 million to \$8.0 million.

CCC Authorizes Intermediate Credit Guarantees for TAIWAN and ARGENTINA. On August 7, CCC made available \$3 million in credit guarantees for sales of U.S. breeding livestock (cattle, swine, sheep, goats and horses) to Taiwan. USDA also announced intermediate credit guarantees for sales of U.S. breeding livestock to Argentina for \$3 million on August 4.

EXPORT ENHANCEMENT INITIATIVES

The status of USDA's Export Enhancement Program as of Aug. 12, 1986, was as follows in metric tons:

ANNOUNCED INITIATIVES	DATE ANNOUNCED	QUANTITY/RESULTS
43. Canary Islands Wheat	Aug. 8, '86	100,000
42. Egypt Semolina	Aug. 6, '86	30,000
41. USSR Wheat	Aug. 1, '86	4 million
40. Canary Is. Dairy Cattle	July 28, '86	3,000 head
39. Hong Kong Table Eggs	July 28, '86	44 million
38. Senegal Wheat	July 17, '86	100,000
37. India Vegetable Oil	July 8, '86	25,000
36. Jordan Barley	June 17, '86	60,000
35. Israel Barley	June 17, '86	200,000 Sold 5,200
34. Tunisia Dairy Cattle	May 29, '86	4,000 head
33. Algeria Dairy Cattle	May 29, '86	5,000 head
32. Sri Lanka Wheat	May 16, '86	125,000 Sold 50,000
31. Saudia Arabia Barley	May 7, '86	500,000 COMPLETE
	Aug. 6, '86	250,000
30. Algeria Barley	Apr 17, '86	500,000
29. Morocco Dairy Cattle	Apr 16, '86	4,000 head
28. Turkey Dairy Cattle	Apr 16, '86	5,000 head
27. Egypt Dairy Cattle	Apr 16, '86	6,000 head
26. Yemen Poultry Feed	Apr 14, '86	150,000
25. Yugoslavia Wheat	Apr 10, '86	200,000 COMPLETE
	June 24, '86	200,000 Sold 120,000
24. Indonesia Dairy Cattle	Apr 9, '86	7,500 head
23. Syria Wheat	Apr 8, '86	700,000
22. Benin Wheat	Apr 7, '86	45,000 Sold 20,000
21. Algeria Table Eggs	Apr 4, '86	500 million
20. Iraq Dairy Cattle	Apr 4, '86	6,500 head
19. Jordan Wheat	Mar 19, '86	75,000 COMPLETE
	June 24, '86	75,000 COMPLETE
18. Tunisia Wheat	Mar 18, '86	300,000 Sold 250,000
17. Algeria Wheat Flour	Feb 25, '86	100,000
16. Algeria Semolina	Feb 11, '86	250,000
15. Philippines Wheat	Jan 7, '86	150,000 COMPLETE (152,400)
14. Zaire Wheat	Dec 27, '85	40,000 COMPLETE
	May 15, '86	40,000 COMPLETE
13. Nigeria Barley Malt	Dec 10, '85	100,000 Sold 4,400
12. Iraq Wheat Flour	Dec 9, '85	150,000 Sold 75,000
11. Egypt Poultry	Nov 26, '85	8,000 COMPLETE
	Mar 21, '86	15,000 COMPLETE
	June 18, '86	5,000 COMPLETE
	July 8, '86	15,000
10. Zaire Wheat Flour	Nov 18, '85	64,000 COMPLETE
	May 15, '86	30,000 Sold 15,000

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9. Philippines Wheat Flour	Nov 15, '85	100,000	Sold 50,000
8. Jordan Rice	Nov 8, '85	40,000	Sold 22,700
7. Turkey Wheat	Oct 16, '85	500,000	COMPLETE (506,600)
	May 8, '86	500,000	
6. Morocco Wheat	Sept 30, '85	1,500,000	Sold 890,000
5. Yemen Wheat	Sept 6, '85	100,000	Sold 50,000
4. Yemen Wheat Flour	Aug 20, '85	50,000	Sold 31,500
	Apr 14, '86	100,000	
3. Egypt Wheat	Jul 26, '85	500,000	COMPLETE
	Oct 30, '85	500,000	COMPLETE (512,500)
	June 20, '86	500,000	COMPLETE
	July 29, '86	52,000	Sold 29,000
2. Egypt Wheat Flour	July 2, '85	600,000	COMPLETE
	Aug. 6, '86	600,000	
1. Algeria Wheat	Jun 4, '85	1,000,000	COMPLETE
	Apr 10, '86	1,000,000	

EXPORT ENHANCEMENT PROGRAM SUMMARY

Announced to Date	16,977,780 (grain equivalent) tons
	544 million table eggs
	43,000 tons frozen poultry
	41,000 head dairy cattle
	25,000 tons vegetable oil
Sold to Date	5,010,500 wheat
	1,144,635 flour, grain equivalent
	505,200 barley
	28,000 frozen poultry
	22,700 rice
	5,980 barley malt, grain equivalent
Bonus	\$324.3 million at book value (2,311,400 tons)

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TARGETED EXPORT PROMOTION PROGRAM

The status of USDA's Targeted Export Promotion Program as of Aug. 12, 1986, was as follows with value in dollars:

DATE ANNOUNCED	COMMODITY	VALUE	COUNTRY
Aug. 12, 1986	Canned Peaches, Fruit Cocktail	\$5.1 million	Pacific Rim & Middle East
Aug. 8, 1986	Feed Grains	\$2.1 million	To be announced
July 28, 1986	Dry Peas & Lentils	\$2.5 million	EC, Colombia, India
July 25, 1986	Table Grapes	\$0.35 million	Western Europe, Australia, Panama, Japan, Taiwan, Singapore, Malaysia
July 18, 1986	Washington State Apples	\$1.4 million	United Kingdom, Taiwan, Malaysia, Hong Kong, Norway, Saudi Arabia
July 17, 1986	Wood Products	\$0.6 million 1/	United Kingdom
July 16, 1986	Wheat	\$1.1 million	Developing countries
July 14, 1986	Poultry & Eggs	\$6 million	Pacific Rim, Middle East countries
June 24, 1986	Feed Grains, Soybean Meal & Dairy Cattle	\$9 million over 3 years	Algeria
June 23, 1986	Fresh & Processed Florida Citrus	\$4.6 million	Western Europe & Pacific Rim
May 20, 1986	Dried Prunes	\$4 million	Western Europe
April 30, 1986	Wood	\$1.95 million (over 3 years)	Japan
April 28, 1986	Wine	\$2.3 million	Japan, United Kingdom, Hong Kong, Singapore
April 25, 1986	Almonds		Western Europe, Japan, Korea
April 17, 1986	Canned Peaches, Fruit Cocktail	\$2.5 million	Japan, Taiwan
April 16, 1986	Walnuts	\$9 million 2/	Western Europe, Japan
April 16, 1986	Raisins	\$6.3 million	Western Europe, Pacific Rim
April 14, 1986	Fresh and Processed Citrus produced in Arizona and California		Japan, Hong Kong, Singapore, Malaysia
March 27, 1986	Frozen Potatoes	\$2 million	Japan, Hong Kong Taiwan, Malaysia Singapore

Total: \$69.60 million

1/ Part of April 30, 1986, wood TEA amount. Not included in total.

2/ Includes additional \$2 million announced Aug. 1, 1986.

Selected International Prices

Item	:	Aug. 12, 1986	:	Change from	:	A year
	:		:	a week ago	:	ago
ROTTERDAM PRICES 1/						
		\$ per MT	\$ per bu.	\$ per MT		\$ per MT
Wheat:						
Canadian No. 1 CWRS-13.5%.		N.Q.	—	—		156.00
U.S. No. 2 DNS/NS: 14%....		123.50	3.36	-4.50		147.00
U.S. No. 2 S.R.W.		121.00	3.29	+2.00		129.00
U.S. No. 3 H.A.D.....		120.50	3.80	-2.00		154.00
Canadian No. 1 A: Durum...		N.Q.	—	—		172.00
Feed grains:						
U.S. No. 3 Yellow Corn....		88.00	2.25	-4.00		111.00
Soybeans and meal:						
U.S. No. 2 Yellow.....		200.25	5.45	-2.75		211.70
Brazil 47/48% Soya Pellets		194.50	—	+1.50		158.00
U.S. 44% Soybean Meal.....		179.00	—	-7.00		151.50
U.S. FARM PRICES 3/						
Wheat.....		80.83	2.20	-2.94		101.04
Barley.....		45.47	0.99	-0-		57.87
Corn.....		65.75	1.67	-4.33		89.37
Sorghum.....		60.41	2.74 2/	-2.87		88.18
Broilers.....		1,757.51	—	+192.24		1,074.96
EC IMPORT LEVIES						
Wheat 5/.....		168.15	4.58	+3.00		86.40
Barley.....		170.75	3.72	+1.85		84.80
Corn.....		172.90	4.39	+4.35		73.70
Sorghum.....		184.75	4.69	+7.70		83.20
Broilers 4/ 6/ 8/.....		386.00	—	+31.00		179.00
EC INTERVENTION PRICES 7/ 9/						
Common wheat(feed quality)		178.50	4.86	+4.55		144.75
Bread wheat (min. quality)		186.65	5.08	+3.65		154.75
Maize.....		186.65	4.74	+3.65		144.75
Barley and all other feed.						
grains, excluding maize.		178.50	—	+4.55		144.75
Broilers 4/ 6/.....		1,525.00	—	+31.00		1,182.00
EC EXPORT RESTITUTIONS (subsidies)						
Wheat		N.A.	—	—		28.25
Barley.....		N.A.	—	—		40.80
Broilers 4/ 6/ 8/.....		284.00	—	+22.00		103.00

1/ Asking prices in U.S. dollars for imported grain and soybeans, c.i.f., Rotterdam. 2/ Hundredweight (CWT). 3/ Five-day moving average. 4/ EC category--70 percent whole chicken. 5/ Reflects lower EC export subsidy--down to 20.00 ECU/100 bag effective 9/14/83 from 22.50 ECU/100 bag set in 2/83. 6/ F.o.b. price for R.T.C. broilers at West German border. 7/ Reference price. 8/ Reflects change in level set by EC. 9/ Changes may be due partly to exchange rate fluctuations and/or ECU payments. N.A.=None authorized. N.Q.=Not quoted. Note: Basis September delivery.